

Cattle Situation and Outlook

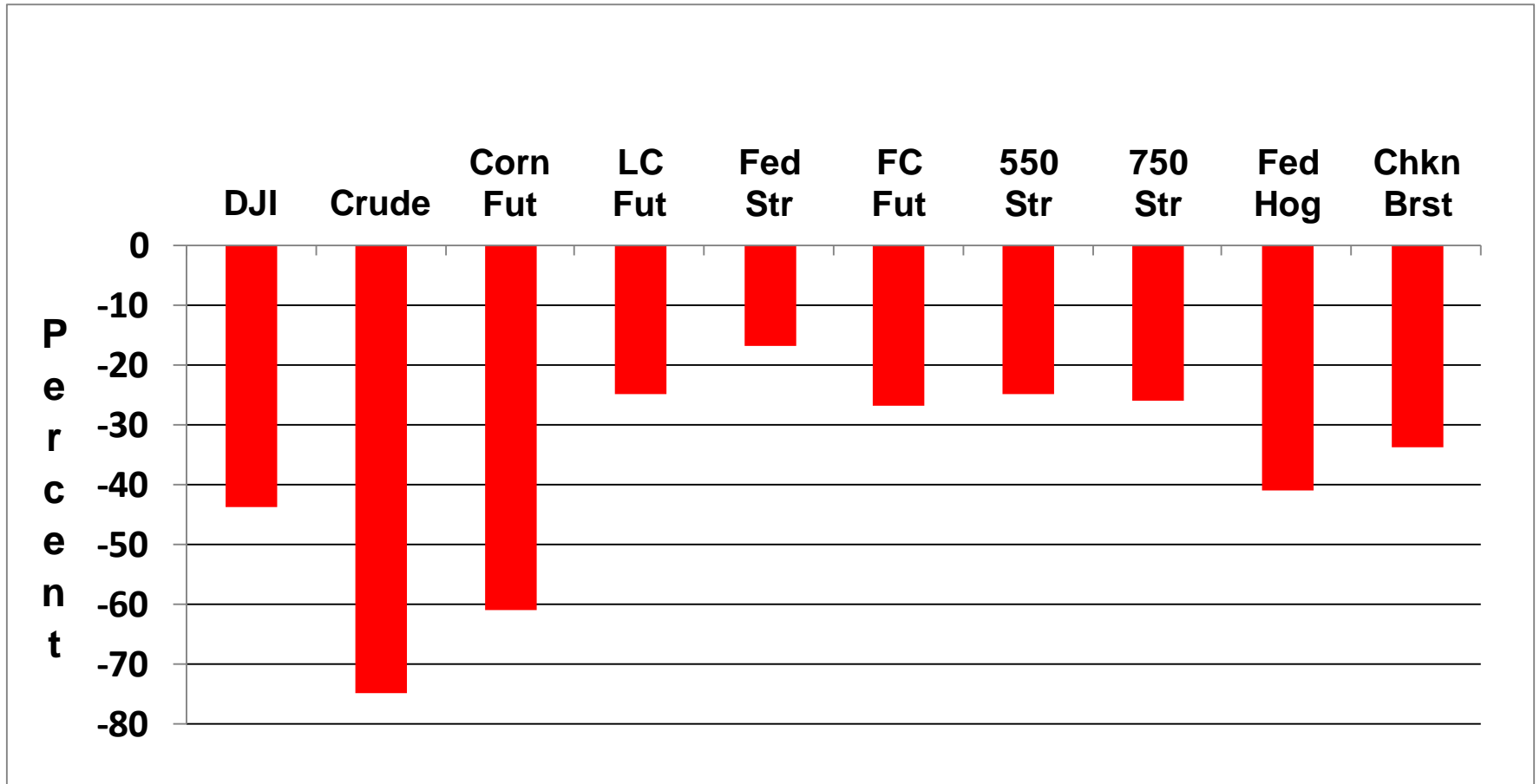
June 2009



Tim Petry
Livestock Economist
www.ag.ndsu.nodak.edu/aginfo/lsmkt/livestock.htm

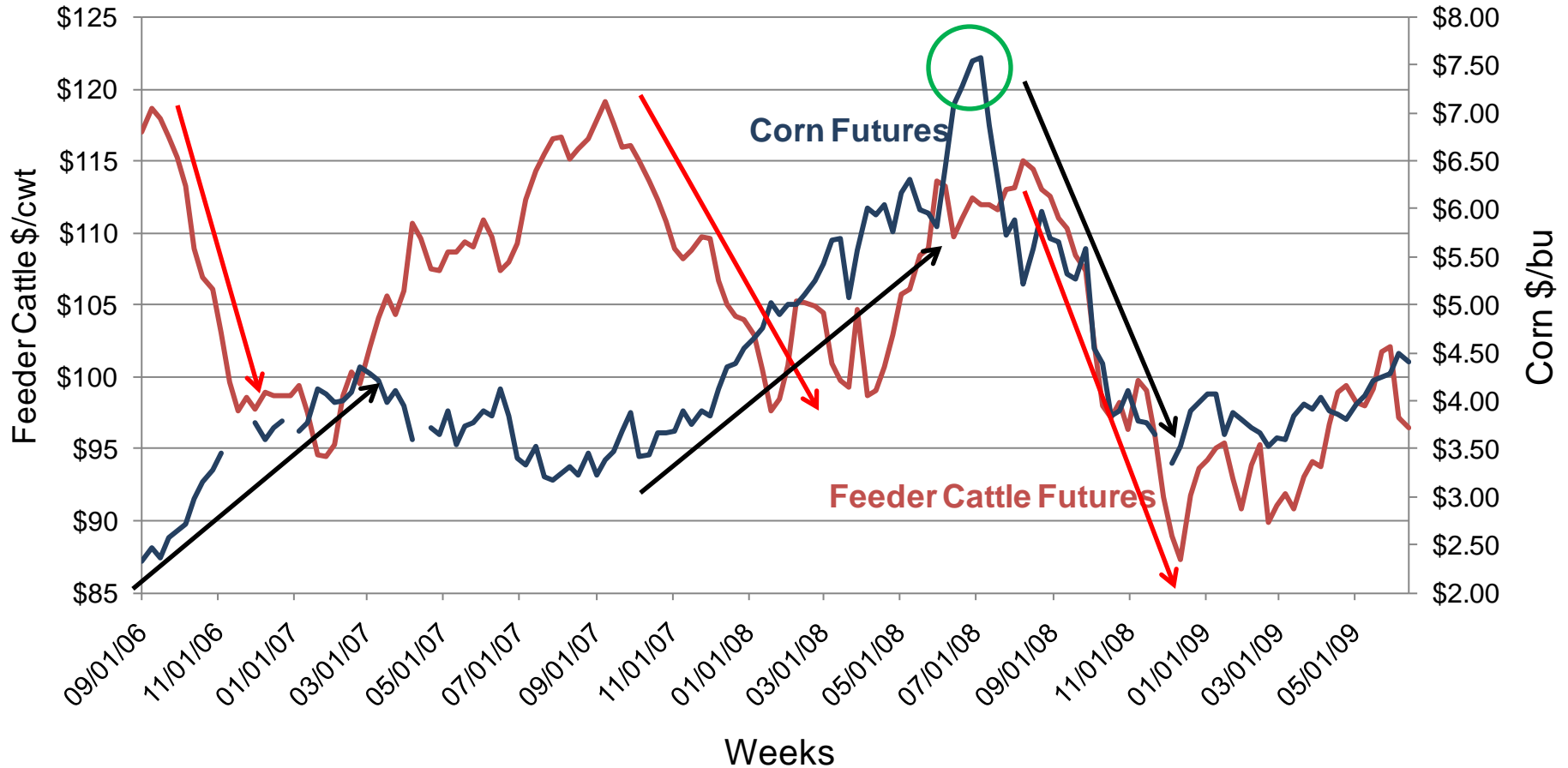


2008 Hi-to-Lo Price Changes



The Most Important Fundamental Affecting Feeder Cattle Prices is (was) Corn Price

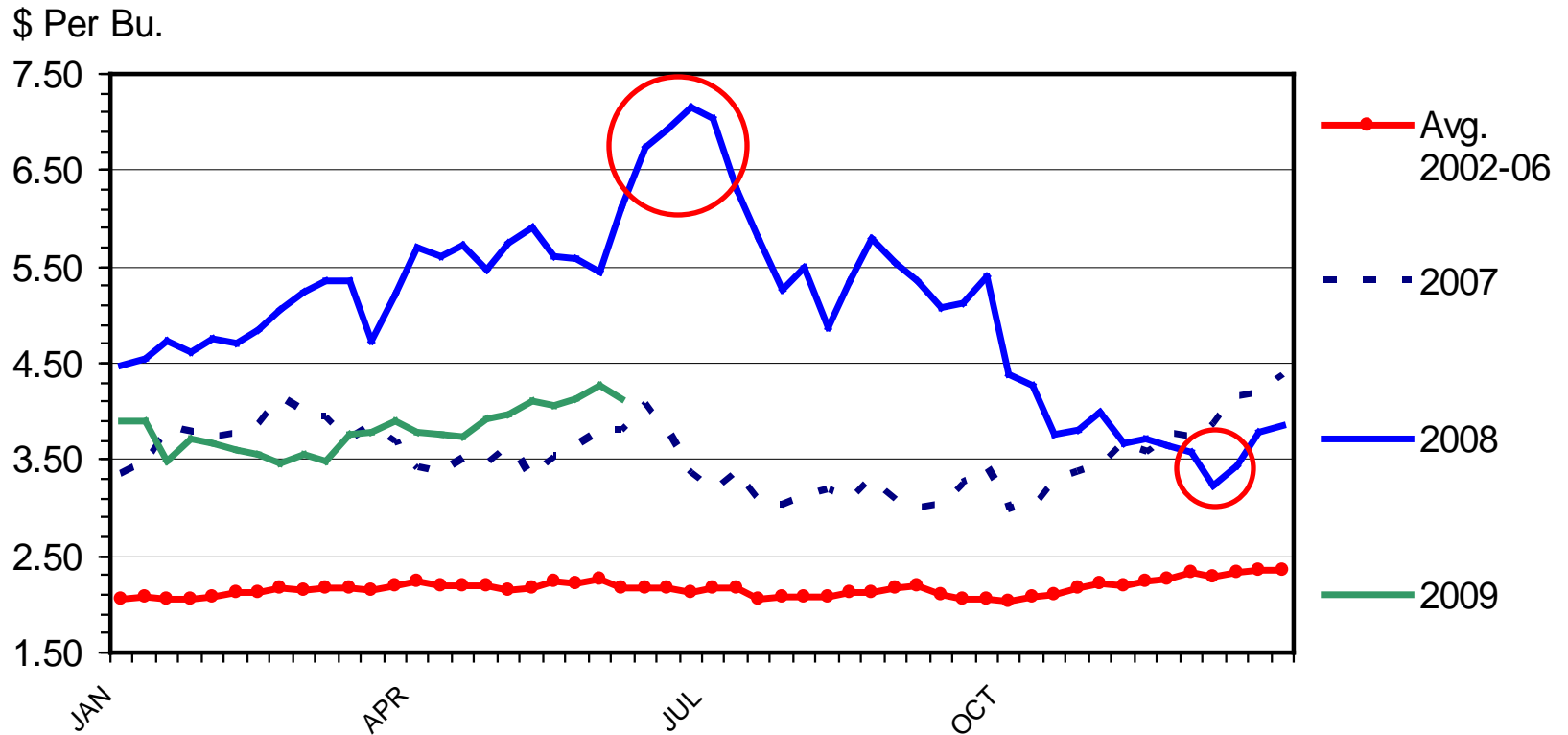
Weekly Nearby Corn and Feeder Cattle Futures



Source: CME Group

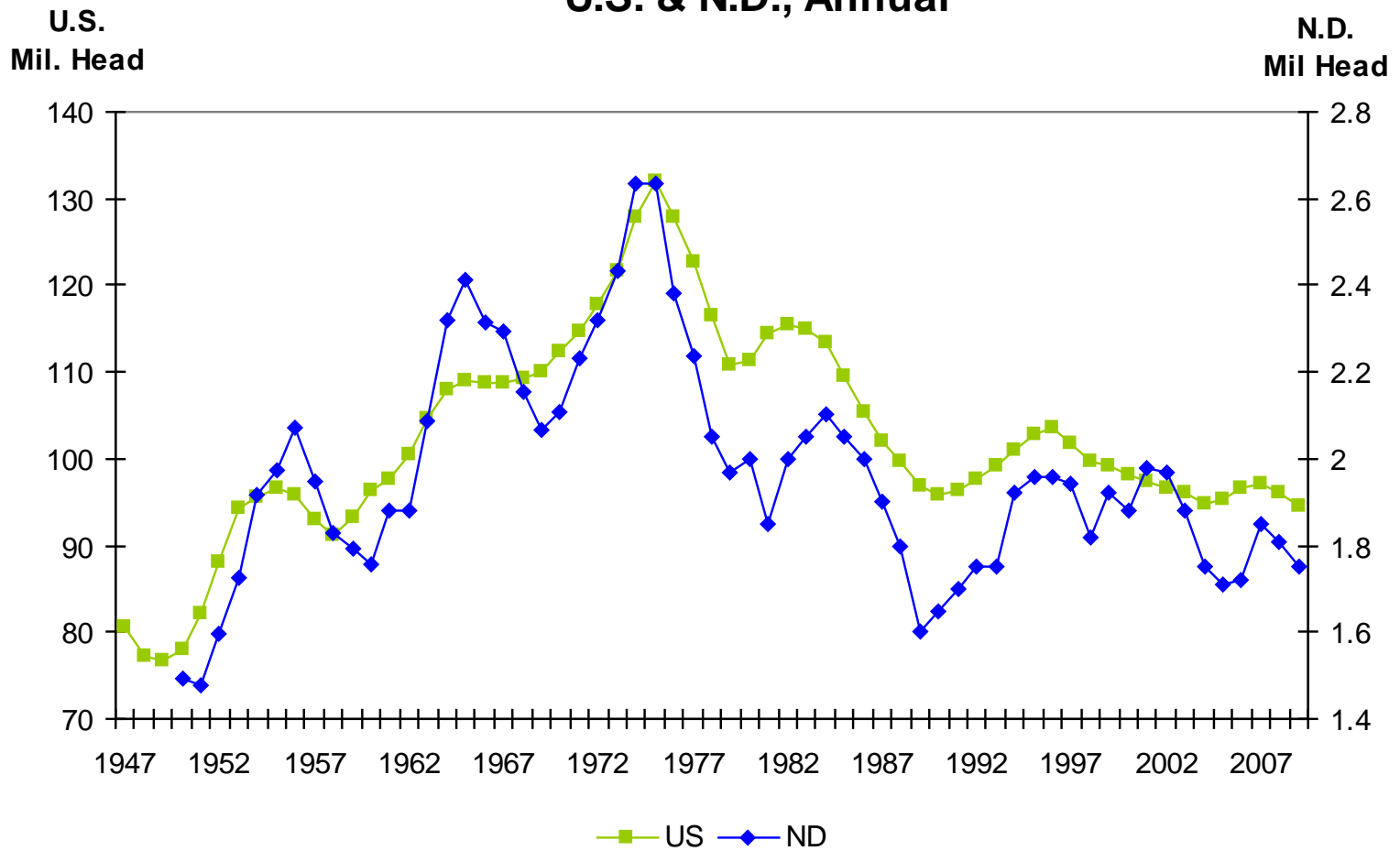
Corn Prices Will Be Volatile!

OMAHA CORN PRICES Weekly



January 1 Total Cattle Inventory

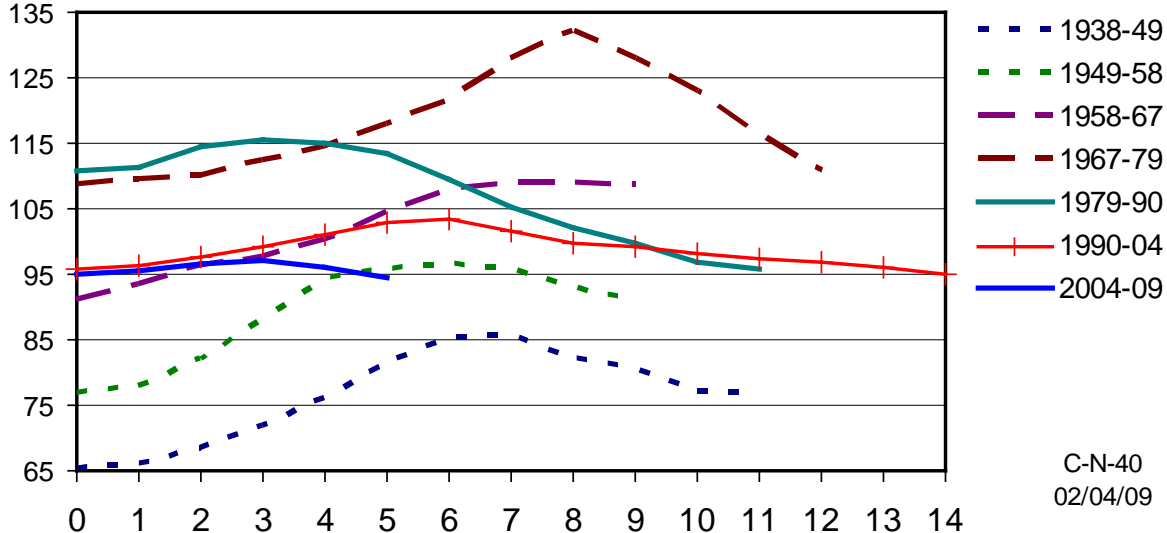
U.S. & N.D., Annual



TOTAL CATTLE INVENTORY BY CYCLE

U.S., January 1

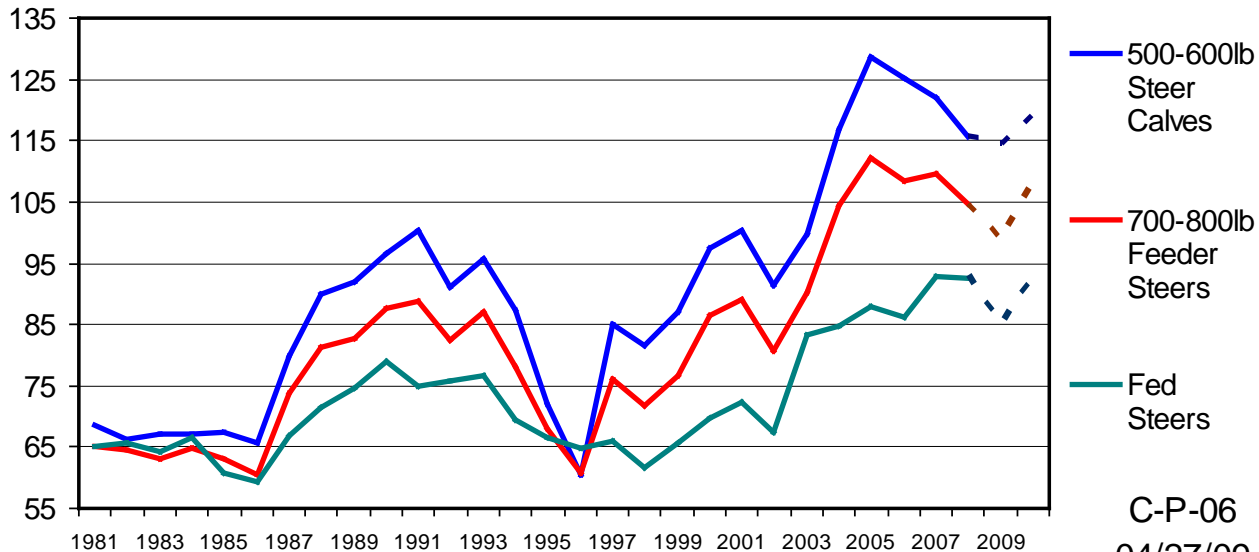
Mil. Head



C-N-40
02/04/09

ANNUAL AVERAGE CATTLE PRICES

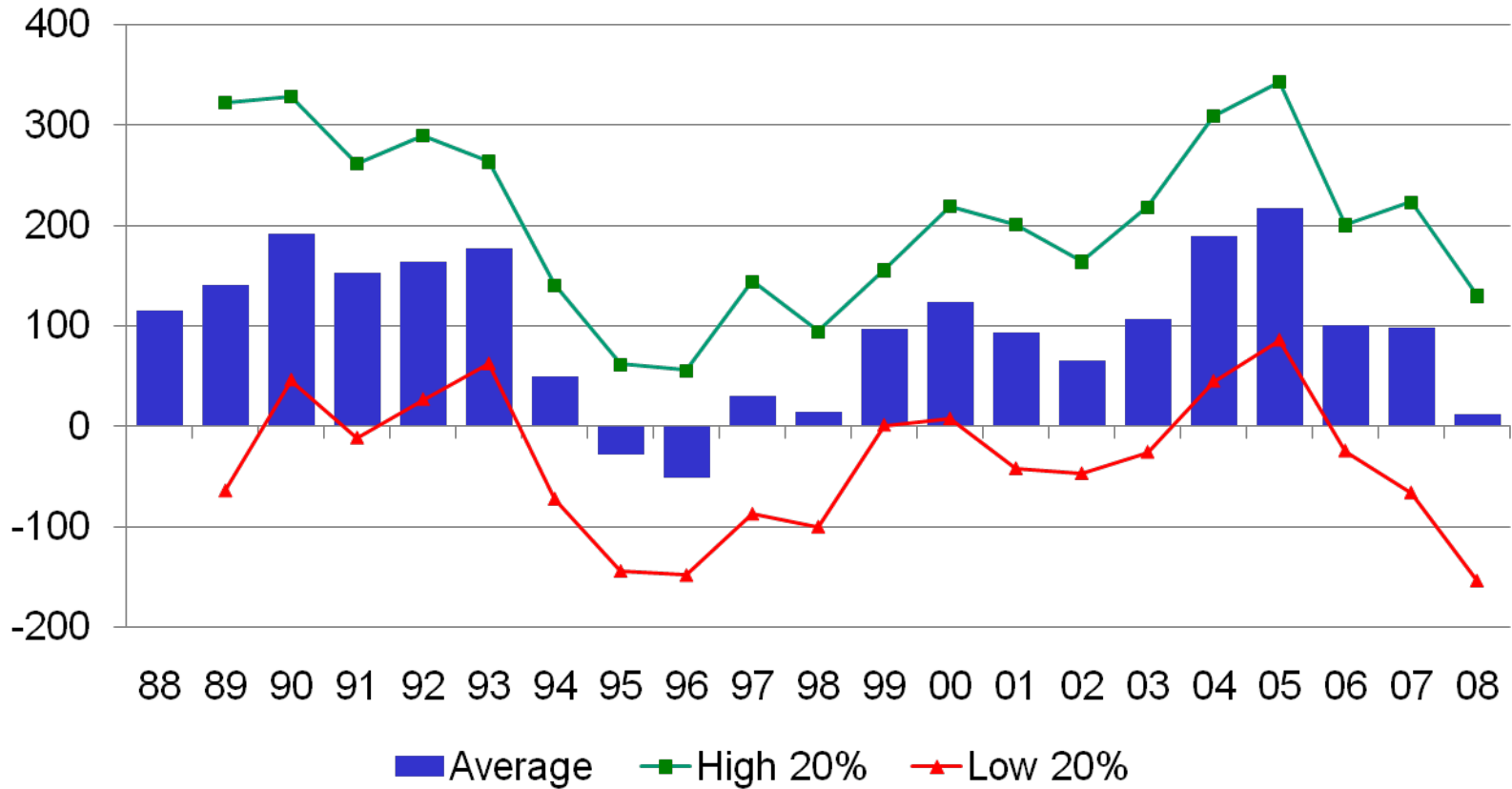
\$ Per Cwt



C-P-06
04/27/09

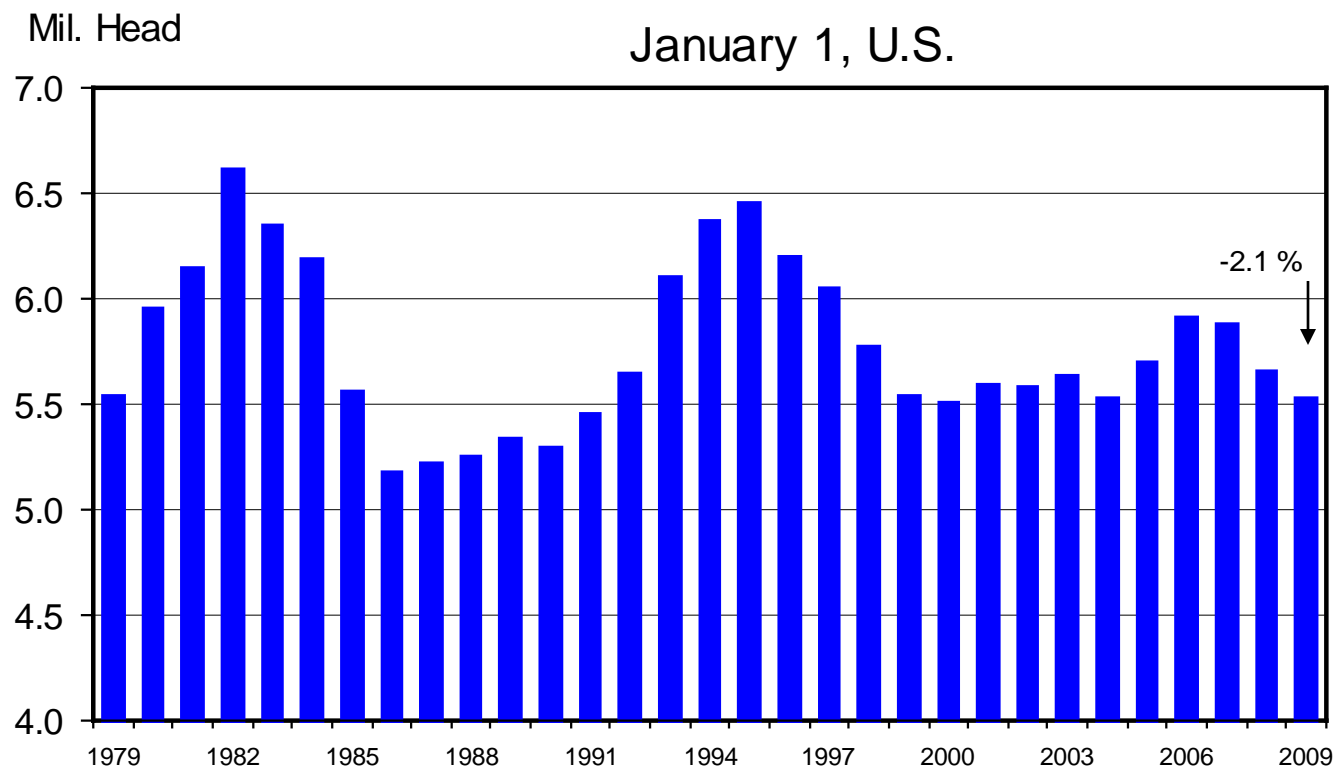
Average Net Return to Labor and Management Per Beef Cow

N.D. Farm Business Mgmt., Excluding Red River Valley



HEIFERS HELD AS BEEF COW REPLACEMENTS

January 1, U.S.



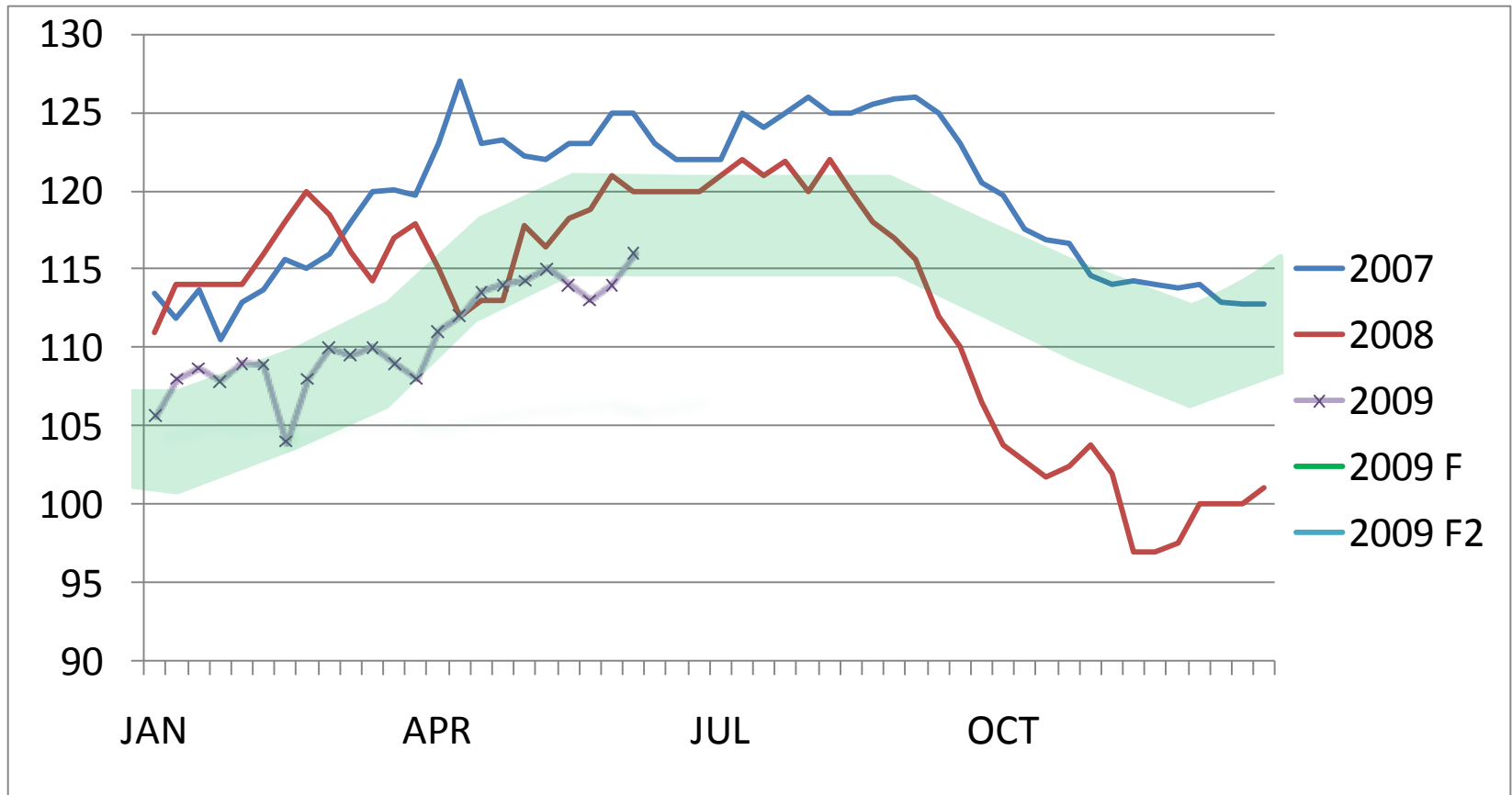
C-N-38
02/04/09

Livestock Marketing Information Center

Data Source: USDA/NASS

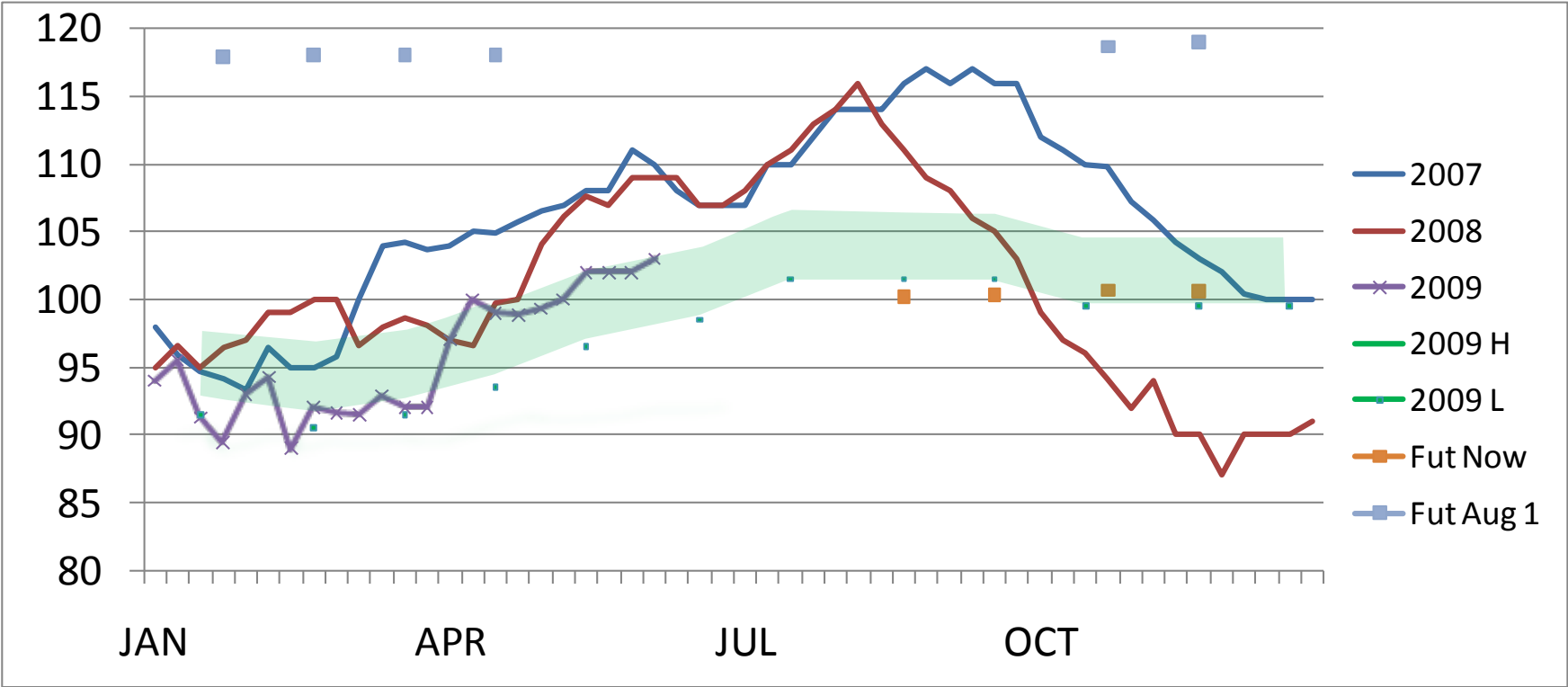
MED. FRAME #1 STEER CALF PRICES

550-600 Pounds, Dakotas, Weekly



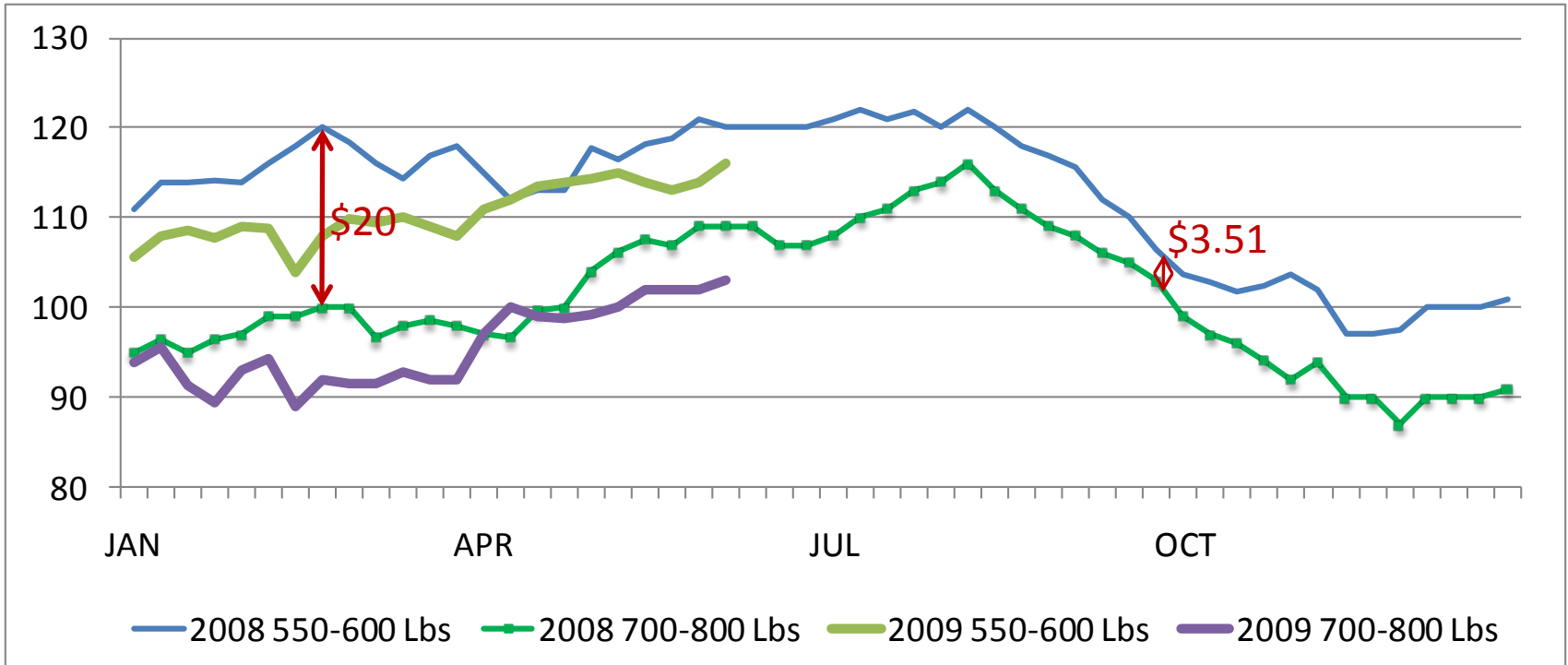
MED. & LRG. #1 FEEDER STEER PRICES

700-800 Pounds, Dakotas, Weekly



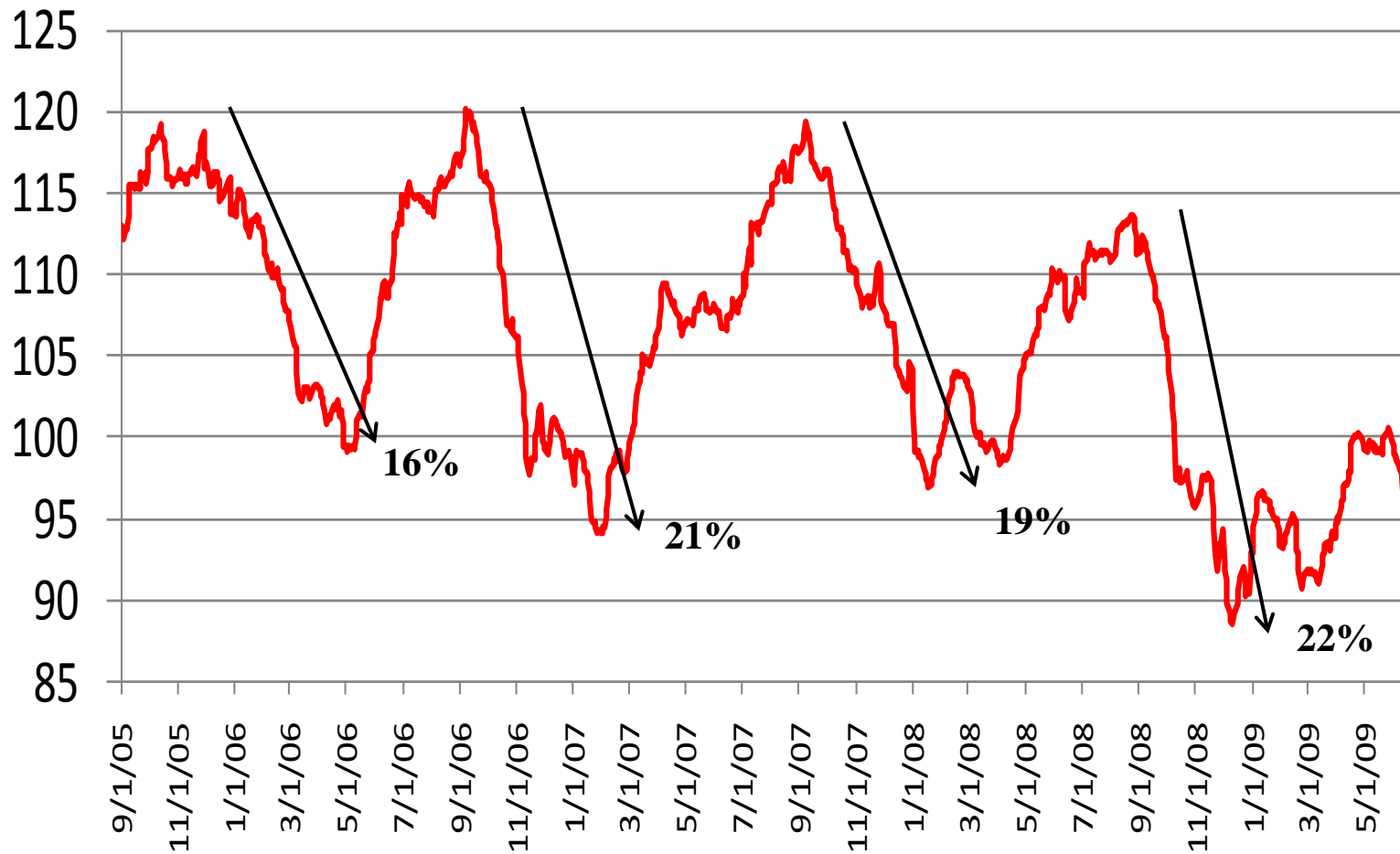
MED. FRAME #1 STEER CALF PRICES

Dakotas, Weekly



CME Feeder Cattle Index

Why does LRP work for backgrounding?



SF_LS764

Sioux Falls, SD

Thu Jun 4, 2009

USDA-ND Dept Ag Market News

Napoleon Livestock Auction Inc.- Napoleon, ND

Feeder Cattle Weighted Average Report for 06/04/2009

Receipts: 1542 Last Week: 1097 Year Ago: 1307

Due to the light run of feeder cattle this week there is no comparison this week. Good demand on grass type cattle. Receipts were 47 percent steers; 53 percent heifers. With 58 percent over 600 lbs. This will be the last sale till August. Have a great summer.

Feeder Steers Medium and Large 1

Head	Wt Range	Avg Wt	Price Range	Avg Price
25	463	463	122.25-124.00	122.95
10	511	511	118.00	118.00
31	575-597	583	113.00-118.00	115.40
3	642	642	110.50	110.50
27	652-694	666	114.00-114.75	114.26
4	710	710	113.00	113.00
26	752-773	762	100.50-104.00	102.22
4	826	826	94.50	94.50

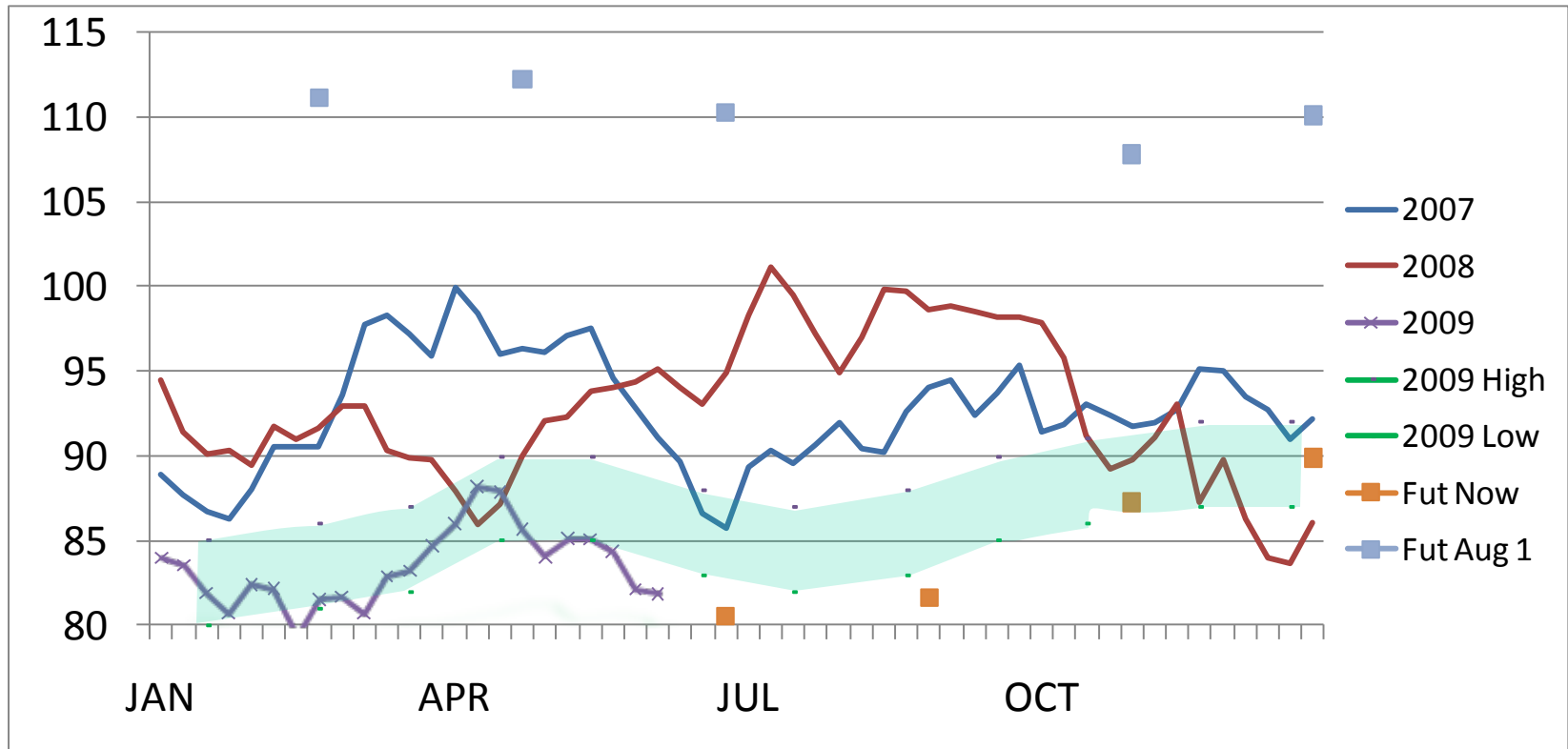
Premiums likely (but not consistent) for:

- Verified shots (ND VIP)
- Natural (no antibiotics or implants)
- Source/age verified
- Weaned
- Bovine Viral Diarrhea persistently infected (BVD-PI) tested negative
- Beef Quality Assurance (BQA)
- Replacement quality heifers

** Check with your market before selling*

CHOICE SLAUGHTER STEER PRICES

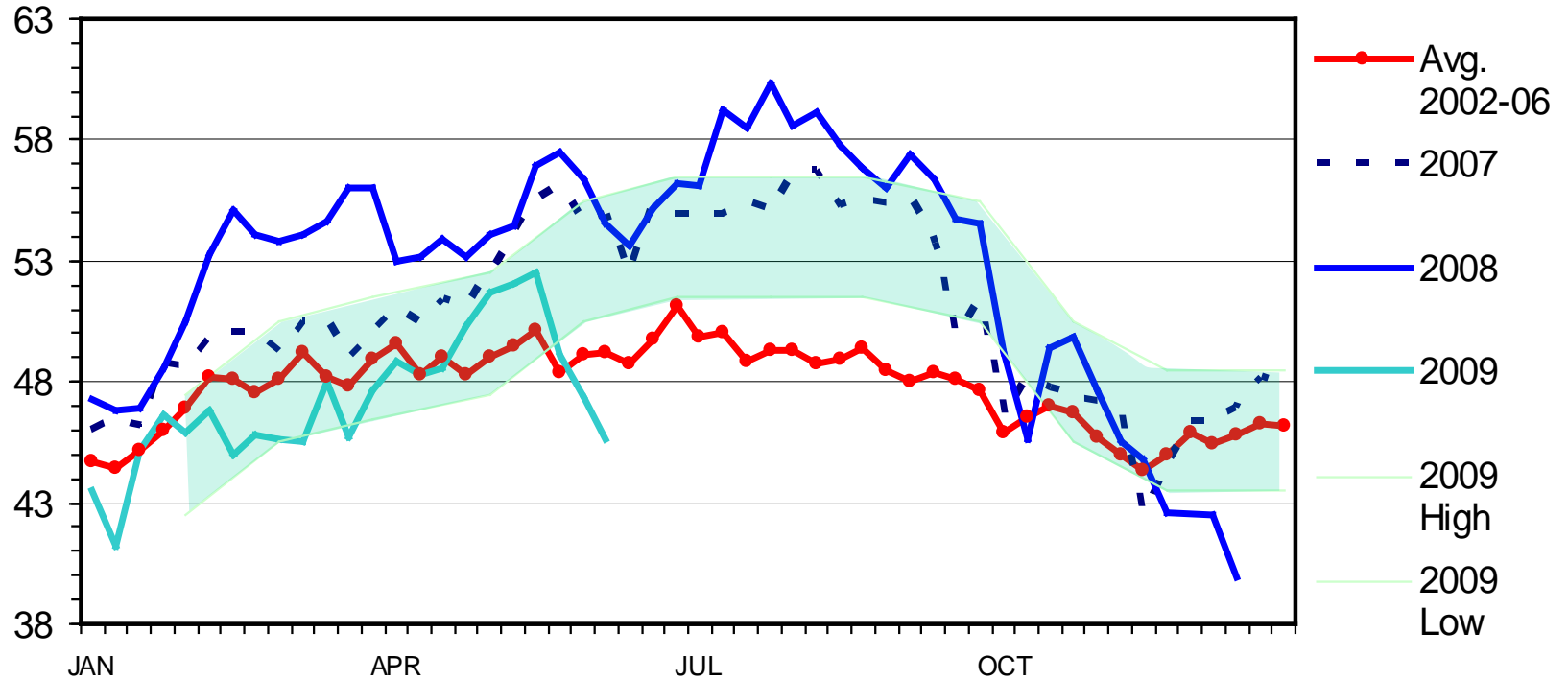
5 Market Weighted Average, Weekly



SLAUGHTER COW PRICES

85-90% Lean, Weekly

\$ Per Cwt.



- SUPPLY? (Easy to quantify)
 - 2009 beef production about the same
 - Depends on cow slaughter
- DEMAND???????? (difficult to quantify)
Domestic
 - + lower gas and fuel
 - economic crisis, consumer confidence, unemployment, etc.
 - beef is highest priced
 - pork and chicken production and exports
- EXPORT
 - Through August 2008: record pork, chicken
 - Beef increasing close to pre-BSE levels
 - Weak US\$, expanding economies, Olympics
- BUT, all meat exports have now crashed!
 - Stronger \$
 - World economies
 - Beef exports to Mexico and Canada (2008 top customers) are down 20%

Livestock Industries are Downsizing

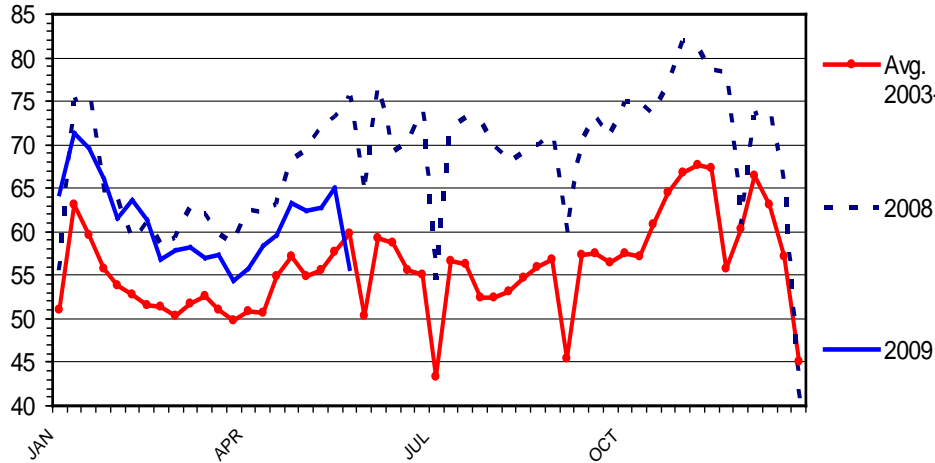
BEEF COW SLAUGHTER

Federally Inspected, Weekly

C-S-34
06/12/09

LMIC

Thou. Head



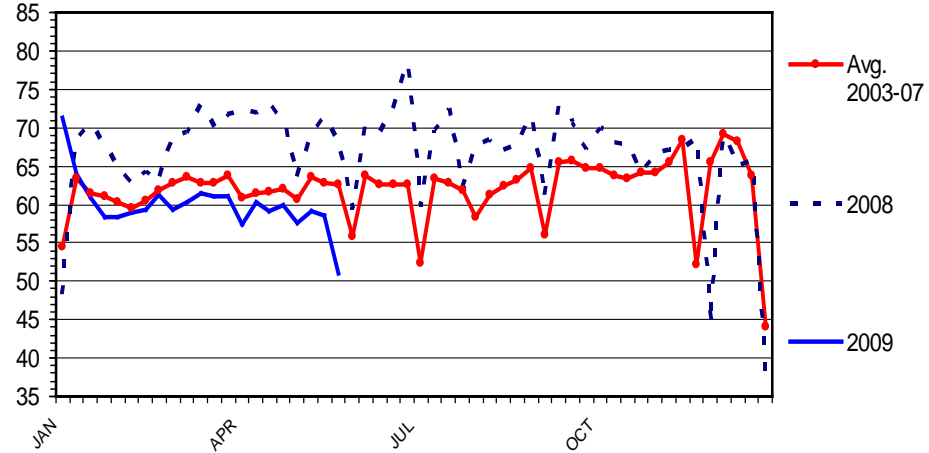
SOW SLAUGHTER

Federally Inspected, Weekly

H-S-15
06/12/09

LMIC

Thou. Head



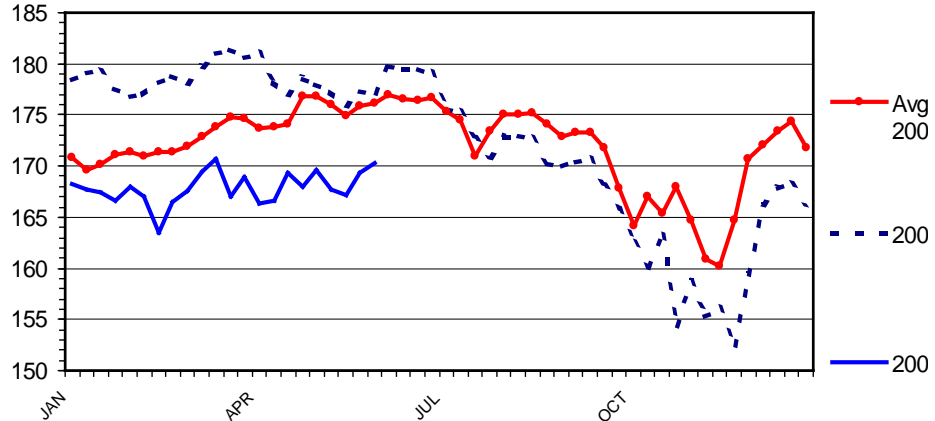
BROILER CHICKS PLACED

Weekly

P-S-11
06/12/09

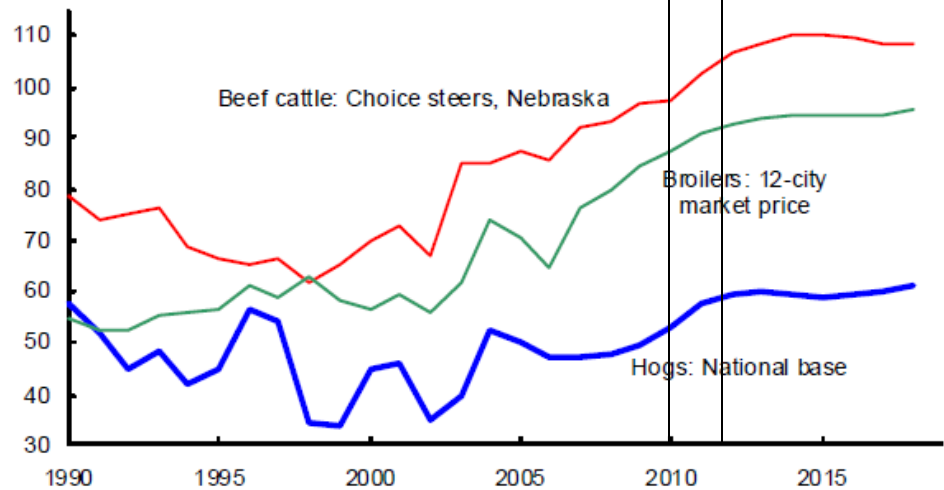
LMIC

Mil. Birds



Nominal U.S. livestock prices

Dollars per hundredweight



Summary

- Margin, not price level, is important
 - Backgrounding and feeding may be more profitable in 2009
- Corn prices will be volatile
- Pre-pricing important in volatile times
 - Lock in both feed and cattle
- Cattle prices will depend on beef demand
 - US and World economies????

Price Risk Management Tools

- Cash forward contract
- Video and internet auctions
- CME futures
- CME options
- Livestock Risk Protection (LRP)
- Livestock Gross Margin (LGM)
- Which one or combination fits your marketing plan?

Questions?

